

## Press Release

Megatherm Induction Limited (Erstwhile Megatherm Induction Private Limited)

May 04, 2023



### Rating reaffirmed & Withdrawn

| Product                            | Quantum (Rs. Cr) | Long Term Rating                    | Short Term Rating                   |
|------------------------------------|------------------|-------------------------------------|-------------------------------------|
| Bank Loan Ratings                  | 31.48            | ACUITE BB-   Reaffirmed & Withdrawn | -                                   |
| Bank Loan Ratings                  | 32.00            | -                                   | ACUITE A4+   Reaffirmed & Withdrawn |
| Total Outstanding Quantum (Rs. Cr) | 0.00             | -                                   | -                                   |
| Total Withdrawn Quantum (Rs. Cr)   | 63.48            | -                                   | -                                   |

### Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.63.48 crore bank facilities of **MEGATHERM INDUCTION LIMITED (MIL)**.

The rating has been withdrawn on Acuite's policy of withdrawal of ratings.

The rating has been withdrawn on account of the request received from the company, and the NOC received from the banker.

### Rationale for the reaffirmation

The rating reaffirmation takes into account the improvement in the operating income of the company, The rating also draws comfort from the experienced promoter and the company's long track record in the industry. These strengths are, however, offset by the working capital intensive in nature of operations along with the average financial risk profile.

### About the Company

Incorporated in FY2010, Kolkata based Megatherm Induction Private Limited (MIPL) is engaged in manufacturing of induction melting furnace, induction heating and induction heat treatment equipment. The day to day operations are carried out by its managing director, Mr. Shesadri Chanda Bhusan along with other directors, Mr. Vikas Varshneya and Mr. Satadri Chanda. The company has manufacturing unit which can carry out production of around Rs.250.00 crore.

### Analytical Approach

Acuite has considered the consolidated business and financial risk profiles of EMT Megatherm Private Limited and Megatherm Induction Private Limited, together known as EMT Group, to arrive at this rating. The consolidation is on account of common promoters, similar line of business and significant operational linkages between them.

### Key Rating Drivers

### Strengths

## Experienced management

MIPL was incorporated in 2010 by Mr. Shesadri Chanda Bhusan and Mr. Satadri Chanda who has experience of over three decades in the electrical machinery industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers. Further, the experience of the top management and second level management, company has been able to expand its business. Acuité believes that MIPL will continue to benefit from its experienced management and established relationships with customers and suppliers.

## Increase in revenues along with profitability margins.

The company's operational income amounted at Rs. 187.84 Cr. as of March 31, 2022, as compared to Rs. 109.08 Cr. as of March 31, 2021. Also, as of March 31st, 2022, the company's operating margin increased to 5.05 percent from 11.64 percent the previous year. On March 31, 2022, the PAT margin stood at 0.87 percent from 1.95 percent in 2021. As of March 31, 2022, the company's RoCE was 8.80 percent, compared to 13.64 percent as of March 31, 2021.

## Weaknesses

### Intense competition and inherent cyclical nature of various industry

MIPL is exposed to intense competition in electrical machinery industry due to the presence of large number of players. Demand for the products manufactured by the company is majorly from steel and auto component industry. Thus, MIPL's business risk profile is exposed to the inherent cyclicity in these industries.

## Rating Sensitivities

None

## Material covenants

None

## Liquidity Position: Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.10.29 Cr as on 31<sup>st</sup> March 2022 as against Rs. 1.06 Cr. long-term debt repayment during the same period. The current ratio stood at 1.10 times as on 31<sup>st</sup> March 2022, as compared to 1.20 times as on 31<sup>st</sup> March 2021. The cash and bank balances stood at Rs. 5.35 Cr. 31<sup>st</sup> March 2022. However, the working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 124 days as on 31<sup>st</sup> March 2022 as compared to 58 days as on 31<sup>st</sup> March 2021, due to high other current asset which signifies FD's and interest receivables. Acuité believes that going forward the liquidity position of the company will remain adequate due to the improving net cash accruals.

## Outlook: Not Applicable

## Other Factors affecting Rating

None

## Key Financials

| Particulars                   | Unit    | FY 22 (Actual) | FY 21 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income              | Rs. Cr. | 191.92         | 138.78         |
| PAT                           | Rs. Cr. | (3.31)         | (13.13)        |
| PAT Margin                    | (%)     | (1.73)         | (9.46)         |
| Total Debt/Tangible Net Worth | Times   | 1.86           | 1.71           |
| PBDIT/Interest                | Times   | 0.99           | 0.15           |

## Status of non-cooperation with previous CRA (if applicable)

None

## Any other information

None

## Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

## Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

| Date        | Name of Instruments/Facilities | Term       | Amount (Rs. Cr) | Rating/Outlook   |
|-------------|--------------------------------|------------|-----------------|--|
| 26 Aug 2022 | Letter of Credit               | Short Term | 18.00           | ACUITE A4+ ( Issuer not co-operating*)                     |
|             | Term Loan                      | Long Term  | 16.48           | ACUITE BB- (Downgraded and Issuer not co-operating*)       |
|             | Packing Credit                 | Short Term | 7.00            | ACUITE A4+ ( Issuer not co-operating*)                     |
|             | Cash Credit                    | Long Term  | 15.00           | ACUITE BB- (Downgraded and Issuer not co-operating*)       |
|             | Bank Guarantee                 | Short Term | 7.00            | ACUITE A4+ ( Issuer not co-operating*)                     |
| 01 Jun 2021 | Term Loan                      | Long Term  | 16.48           | ACUITE BB (Downgraded and Issuer not co-operating*)        |
|             | Cash Credit                    | Long Term  | 15.00           | ACUITE BB (Downgraded and Issuer not co-operating*)        |
|             | Packing Credit                 | Short Term | 7.00            | ACUITE A4+ ( Issuer not co-operating*)                     |
|             | Bank Guarantee                 | Short Term | 7.00            | ACUITE A4+ ( Issuer not co-operating*)                     |
|             | Letter of Credit               | Short Term | 18.00           | ACUITE A4+ ( Issuer not co-operating*)                     |
| 06 Mar 2020 | Bank Guarantee                 | Short Term | 7.00            | ACUITE A4+ (Downgraded from ACUITE A3)                     |
|             | Letter of Credit               | Short Term | 18.00           | ACUITE A4+ (Downgraded from ACUITE A3)                     |
|             | Packing Credit                 | Short Term | 7.00            | ACUITE A4+ (Downgraded from ACUITE A3)                     |
|             | Cash Credit                    | Long Term  | 15.00           | ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable) |
|             | Term Loan                      | Long Term  | 16.48           | ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable) |

## Annexure - Details of instruments rated

| Lender's Name | ISIN           | Facilities           | Date Of Issuance | Coupon Rate    | Maturity Date  | Complexity Level | Quantum (Rs. Cr.) | Rating                              |
|---------------|----------------|----------------------|------------------|----------------|----------------|------------------|-------------------|-------------------------------------|
| Indian Bank   | Not Applicable | Bank Guarantee (BLR) | Not Applicable   | Not Applicable | Not Applicable | Simple           | 7.00              | ACUITE A4+   Reaffirmed & Withdrawn |
| Indian Bank   | Not Applicable | Cash Credit          | Not Applicable   | Not Applicable | Not Applicable | Simple           | 15.00             | ACUITE BB-   Reaffirmed & Withdrawn |
| Indian Bank   | Not Applicable | Letter of Credit     | Not Applicable   | Not Applicable | Not Applicable | Simple           | 18.00             | ACUITE A4+   Reaffirmed & Withdrawn |
| Indian Bank   | Not Applicable | PC/PCFC              | Not Applicable   | Not Applicable | Not Applicable | Simple           | 7.00              | ACUITE A4+   Reaffirmed & Withdrawn |
| Indian Bank   | Not Applicable | Term Loan            | Not available    | Not available  | Not available  | Simple           | 16.48             | ACUITE BB-   Reaffirmed & Withdrawn |

## Contacts

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|---|--|
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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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